

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58186

ROCHESTER SCHOOL DISTRICT No. 401

Thurston County, Washington

September 1, 1994 Through August 31, 1996

Issue Date: May 2, 1997

TABLE OF CONTENTS

	Page
<hr/> Management Section <hr/>	
Independent Auditor's Report On Compliance With Laws And Regulations At The Financial Statement Level (Plus Additional State Compliance Requirements Per RCW 43.09.260)	M-1
Independent Auditor's Report On Internal Control Structure At The Financial Statement Level	M-3
Schedule Of Findings:	
1. Student Approval Of Associated Student Body Expenditures Should Be Obtained	M-5
<hr/> Financial Section <hr/>	
Independent Auditor's Report On Financial Statements	F-1
General-Purpose Financial Statements:	
Combined Balance Sheet) All Fund Types And Account Groups - 1996	F-2
Combined Balance Sheet) All Fund Types And Account Groups - 1995	F-3
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) All Governmental Fund Types And Expendable Trust Fund - 1996	F-4
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) All Governmental Fund Types And Expendable Trust Fund - 1995	F-5
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) Budget And Actual) All Governmental Fund Types - 1996	F-6
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) Budget And Actual) All Governmental Fund Types - 1995	F-8
Notes To Financial Statements	F-10
<hr/> Single Audit Section <hr/>	
Independent Auditor's Report On Supplementary Information Schedule Of Federal Financial Assistance	S-1
Schedule Of Federal Financial Assistance - 1996	S-2
Schedule Of Federal Financial Assistance - 1995	S-3
Notes To Schedules Of Federal Financial Assistance	S-4
Independent Auditor's Report On Compliance With The General Requirements Applicable To Federal Financial Assistance Programs	S-5
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Nonmajor Federal Financial Assistance Program Transactions	S-7
Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs	S-8
Status Of Prior Findings	S-11
Status Of Prior Questioned Costs	S-12
<hr/> Addendum <hr/>	
Directory Of Officials	A-1

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Directors
Rochester School District No. 401
Rochester, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Rochester School District No. 401, Thurston County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Rochester School District No. 401 is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the district's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted an instance of noncompliance immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 28, 1997

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level

Board of Directors
Rochester School District No. 401
Rochester, Washington

We have audited the general-purpose financial statements of Rochester School District No. 401, Thurston County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the district, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 28, 1997

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

Schedule Of Findings

1. Student Approval Of Associated Student Body Expenditures Should Be Obtained

Our review of Associated Student Body vouchers and supporting documentation at Rochester School District revealed no evidence of student approval, as required by state law.

RCW 28A.58.120 states in part:

. . . All disbursements from the Associated Student Body program fund or any imprest bank account established thereunder shall have the prior approval of the appropriate governing body representing the Associated Student Body

WAC 392-138-050 states in part:

(3) All disbursements from the Associated Student Body program fund or any imprest bank account established thereunder shall have the prior approval of the appropriate governing body representing the Associated Student Body. Supporting documentation of the vouchers shall bear evidence of approval by the associated student governing body in accordance with Associated Student Body (Our emphasis)

A purchase order request form is used to initiate purchase orders. None of the purchase order request forms or purchase orders we tested showed evidence of student approval. The Associated Student Body vouchers were paid without the prior approval of the proper associated student governing body.

Failure to acquire prior approval from the associated student governing body is a violation of state law. In addition, it fails to achieve the purpose of the Associated Student Body Fund, which is to encourage the supervised self-government of the various associated student bodies.

We recommend that all Associated Student Body expenditures be approved by the proper associated student governing body and all voucher documentation show evidence of student approval.

Auditee's Response

We concur with the facts as presented in the finding. In the future, the district will ensure that evidence of student approval is obtained for both Associated Student Body vouchers and purchase orders.

Auditor's Concluding Remarks

Based upon the district's response, it appears that adequate corrective action will be taken. We will review this issue again at our next regular audit.

We would like to thank the staff of Rochester School District for their assistance and cooperation throughout the course of the audit.

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Financial Statements

Board of Directors
Rochester School District No. 401
Rochester, Washington

We have audited the accompanying general-purpose financial statements of Rochester School District No. 401, Thurston County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Rochester School District No. 401 as of August 31, 1996 and 1995, and the results of operations for the fiscal years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 1997, on our consideration of the district's internal control structure and a report dated March 28, 1997, on its compliance with laws and regulations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 28, 1997

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Directors
Rochester School District No. 401
Rochester, Washington

We have audited the general-purpose financial statements of Rochester School District No. 401, Thurston County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated March 28, 1997. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Rochester School District No. 401 taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 28, 1997

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Directors
Rochester School District No. 401
Rochester, Washington

We have audited the general-purpose financial statements of Rochester School District No. 401, Thurston County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

We have applied procedures to test the district's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedules of Federal Financial Assistance, for the fiscal years ended August 31, 1996 and 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 28, 1997

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Nonmajor Federal Financial Assistance Program Transactions

Board of Directors
Rochester School District No. 401
Rochester, Washington

We have audited the general-purpose financial statements of Rochester School District No. 401, Thurston County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

In connection with our audit of the financial statements of the district and with our consideration of the district's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal years ended August 31, 1996 and 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures and eligibility of the individuals or groups to whom the district provides federal financial assistance that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Rochester School District No. 401 had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 28, 1997

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Board of Directors
Rochester School District No. 401
Rochester, Washington

We have audited the general-purpose financial statements of Rochester School District No. 401, Thurston County, Washington, as of and for the fiscal years ended August 31, 1996 and 1995, and have issued our report thereon dated March 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the district's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated March 28, 1997.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the

structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Accounts payable
 - Purchasing
 - Payroll
 - General ledger
- **General Requirements**
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements
- **Specific Requirements**
 - Types of services
 - Eligibility
 - Matching and earmarking
 - Reporting
 - Special requirements
- **Claims For Reimbursements**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash receipts
 - Cash disbursements
 - Receivables
 - Receiving
 - Inventory Control
 - Property, plant, and equipment
- **General Requirements**
 - Davis-Bacon Act
 - Relocation assistance and real property acquisition
 - Subrecipient monitoring
- **Specific Requirements**
 - Level of effort

- **Claims For Advances**
- **Amounts Claimed Or Used For Matching**

During the fiscal year ended August 31, 1996, the district had no major federal financial assistance programs and expended 52 percent of its total federal financial assistance under the following nonmajor federal financial assistance programs: National School Lunch/Breakfast Programs (CFDA 10.555/10.553) and Title I Grants to States (CFDA 84.010).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structures policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 28, 1997

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

Status Of Prior Findings

The findings contained in the prior audit report were resolved as follows:

1. Payroll Charges To Federal Programs Should Be Supported By Time And Attendance Records

Resolution: The district implemented a time and attendance reporting system that complies with the standards set forth in the "Common Rule" and OMB Circular A-87.

2. Rochester School District Overclaimed Chapter I Grant Expenditures

Resolution: The district refunded questioned costs of \$1,254 to the Superintendent of Public Instruction. The district established a management review process to ensure that funds requested are based on actual costs incurred.

ROCHESTER SCHOOL DISTRICT NO. 401
Thurston County, Washington
September 1, 1994 Through August 31, 1996

Status Of Prior Questioned Costs

<u>Grant</u>	<u>Audit Report Year</u>	<u>Costs Questioned</u>	<u>Current Status</u>	
			<u>Unresolved</u>	<u>Resolved</u>
Chapter I of ESEA	1993-94 SY (Finding 2)	\$1,254		X